



National Electric Power Regulatory Authority Islamic Republic of Pakistan

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No: NEPRA/DG(Lic)/LAG-15/ 10386-91

May 08, 2023


Mr. Roadak Ali Iqbal
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Subject: **DETERMINATION OF THE AUTHORITY IN THE MATTER OF APPLICATION
OF UCH POWER (PRIVATE) LIMITED FOR RENEWAL OF ITS GENERATION
LINCENCE**

Reference: Your letter No. nil dated 30.05.2022

Enclosed please find herewith determination of the Authority in the matter of application submitted by Uch Power (Private) Limited for Renewal of its Generation Licence (No. IPGL/014/2003 dated August 26, 2003) for your information and necessary action.

Encl: i. Determination of the Authority
ii. Original application of Uch Power


(Engr. Mazhar Iqbal Ranjha)

1. Secretary, Power Division, Ministry of Energy, 'A' Block, Pak Secretariat, Islamabad
2. Managing Director, NTDC, 414 WAPDA House, Lahore
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4. General Manager (System Operator), National Power Control Centre (NPCC-NTDC), Faiz Ahmed Faiz Road, Sector H-8/1, Islamabad
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National Electric Power Regulatory Authority
(NEPRA)

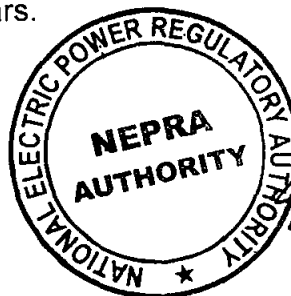
Determination of the Authority
in the Matter of Application of Uch Power (Private) Limited
for Renewal of its Generation Licence

May
April 08, 2023
Case No. LAG-15

The Authority in terms of Section-15 (now 14B) of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (the "NEPRA Act") granted a Generation Licence (No. IPGL/014/2003, dated August 26, 2003) to Uch Power (Private) Limited (UPPL)/the Licensee. The Authority granted the above Generation Licence to UPPL for its 586.20 MW generation facility located at Dera Murad Jamali, district Naseerabad in the province of Balochistan. Further, the Authority had fixed the term of the above licence to twenty (20) years from the date of issuance.

(2). In accordance with Regulation-13 of the NEPRA Licensing (Application, Modification, Extension and Cancellation) Procedure Regulations, 2021 (the "Licensing Regulations"), UPPL submitted an application for renewal in term of its Generation Licence on June 08, 2022. Regarding the proposed time period of renewal, UPPL submitted that its existing licence had a term of twenty (20) years which will expire on August 25, 2023. UPPL plans to renew the term of the said licence for another period from August 26, 2023 to October 17, 2030 i.e. for seven (7) years one (1) month and twenty three (23) days.

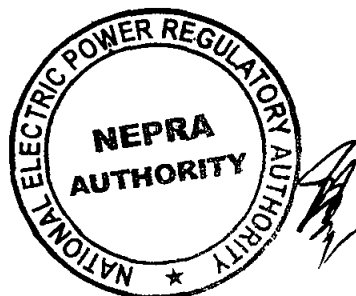
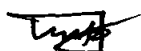
(3). About "statement of the reason in support of renewal", UPPL submitted that the expiry of licence corresponds to the expiry of the term of the Gas Supply Agreement (GSA). In terms of the provisions of the existing GSA, a Memorandum of Understanding (MoU) was signed in the year 2019 for the extension in the GSA for a period of five (5) years.



(4). The Authority considered the above submitted application and found the same compliant with the provisions of the relevant regulations. After completion of all the required information as stipulated under the Regulation-13(1) of the Licensing Regulations by UPPL, the Authority considered it appropriate to publish a notice in the press for information and comments of general public, interested and affected parties. The said notice was published in press on June 24, 2022 in one (01) English and one (01) Urdu newspaper of country wide circulation to inform the general public, interested/affected parties, and different stakeholders about the proposed renewal in term of the Generation Licence of UPPL.

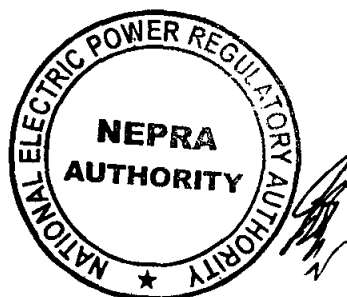
(5). In reply to the above, the Authority received comments from five (05) stakeholders including Private Power & Infrastructure Board (PPIB), Oil & Gas Development Company Limited (OGDCL), Central Power Purchasing Agency (Guarantee) Limited (CPPAGL), Faisalabad Electric Supply Company Limited (FESCO) and Ministry of Energy-Petroleum Division (MoEPtD). The salient points of the comments offered by stakeholders are summarized below: -

- (a). PPIB submitted that UPPL developed its generation facility located at Dera Murad Jamali, district Naseerabad in the province of Balochistan under Power Policy of 1994 and also signed an Implementation Agreement (IA) with Government of Pakistan (GoP) on November 19, 1995. Further, the company/UPPL and Water & Power Development Authority (WAPDA) entered into a Settlement Agreement on November 03, 2000 wherein the term of Power Purchase Agreement (PPA) dated November 23, 1995 was extended from twenty-three (23) years to thirty (30) years. OGDCL has also confirmed the availability of gas reserves beyond 2023 for another five years. The gas is provided to UPPL from a dedicated gas field through a dedicated pipeline that ensures continues availability of gas. Furthermore, the generation facility

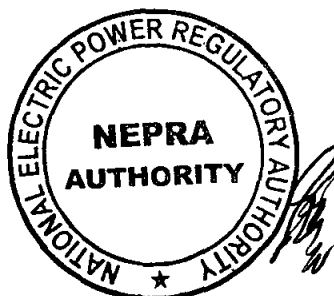



of UPPL is on top ranking of the merit order of National Transmission and Despatch Company Limited (NTDC) dated July 02, 2022. In view of the above, the Authority may renew/extend the term of the Generation Licence in consultation with CPPAGL and NTDC;

- (b). OGDCL stated that it has been supplying low BTU gas for the last two decades to UPPL for power generation from the dedicated gas field of Uch. The low BTU gas of the said field has no other commercial use and is only suitable for power generation. An Integrated Reservoir Stimulation Study (IRSS) of the Uch Gas Field has been carried out by a third party Consultant i.e. Weatherford, with the main objective to assess the remaining reserves of the field for maximum recovery in the most economical way and to further confirm the available gas quantity for extension of GSA of UPPL beyond 2023. In this regard, based on different prediction scenarios of remaining reserves run by the consultant, it is concluded that there is a potential about the availability of the reserves to extend the GSA of UPPL beyond 2023 for another period of five (05) years at the energy rate of 90.00 MMBTU/Day with yearly capping of 32.85 Million MMBTU, without compromising commitments of existing GSA of UPPL and that of another generation facility of the sponsors i.e. UCH-II Power (Pvt.) Limited. The said facts have already been communicated to the Authority vide correspondence dated February 07, 2022. In view of the above it is clear that reserves of gas are available for the generation facility of UPPL and it will be in the interest of all the stakeholders to utilize indigenous gas of the field which will contribute towards resolution of energy crises beside much needed saving in foreign exchange reserves;



- (c). CPPAGL informed that PPA of the generation facility was executed on November 23, 1995 with an expiry of October 17, 2023. Later on, the term of the PPA was extended from the current twenty three (23) years to thirty (30) years (from the date of the Commercial Operation Date-COD i.e. October 18, 2000) through a Settlement Agreement dated November 03, 2000 subject to the extension of GSA. In order to implement the terms and conditions of said Settlement Agreement, the term of the licence of UPPL is required to be extended/renewed by NEPRA pursuant to Regulation-13 of the Licensing Regulations i.e. till October 17, 2030 to make it consistent with the term of the PPA which is dependent on GSA. Moreover, extension of GSA resulting in extension/Renewal of PPA shall be subject to Section-10 of the Settlement Agreement which states that any benefit in the provisions of payment of the GSA resulting from extension shall be passed on to the Power Purchaser;
- (d). FESCO expressed that UPPL owns a Combined Cycle Power Plant-CCPP/generation facility which supports the initiative of the GoP of reliance on the indigenous resources of the country. The generation facility is operating on the low BTU natural gas from the dedicated gas field of Uch which has no other alternative commercial use. It is pertinent to mention that UPPL had remained at the top position in the merit order over the years & its average utilization factor over the years has been close to more than 95%. Furthermore, the overall cost to the power purchase from UPPL for the last four (04) years had been ranged between Rs. 5.71 to Rs. 9.17 per kWh. In view of the said, FESCO has no reservation for the renewal in the term of the Generation Licence of UPPL as the same has greatly contributed in least cost generation of the energy mix of the country; and

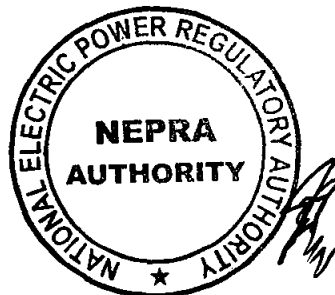


(e). MoEPtD remarked that OGDCL being operator of the gas field of Uch has confirmed that reserves of gas are available for supporting the operation of the generation facility for the extended period of GSA. In view of the said, MoEPtD endorses the views of OGDCL in the matter and has no objection for renewal in the term of Generation Licence of UPPL.

(6). The Authority considered the above comments of the stakeholders and found the same in favor of the request of UPPL for renewal of the term of its Generation Licence except the observation of CPPAGL that any benefits in provisions of payment of GSA resulting from extension shall be passed on to the Power Purchaser. On the said, UPPL confirmed that fuel cost is pass through item and therefore, any saving in the same shall be passed on to the Power Purchaser. In view of the said, the Authority considered it appropriate to proceed further in the matter as stipulated in the Licensing Regulations and the NEPRA Licensing (Generation) Rules, 2000 (the "Generation Rules").

(7). The Authority has reviewed the entire case in detail including the already granted Generation Licence of UPPL, submitted application for renewal, comments of stakeholders and provisions of the NEPRA Act and relevant rules & regulations made thereunder. The observations of the Authority in the matter are summarized in the following paragraphs. In this regard, the Authority has observed that originally UPPL was granted a Generation Licence (No. IPGL/014/2003, dated August 26, 2003) for its 586.20 MW generation facility/CCPP operating on the indigenous low BTU gas of the Uch field located at Dera Murad Jamali, district Naseerabad in the province of Balochistan.

(8). The Authority at the time of the grant of Generation Licence had fixed its term to twenty (20) years from the date of issuance i.e. upto August 25, 2023. According to the submitted application, the Licensee/UPPL intends to extend the term of its Generation Licence for another period of seven (7) years one (1)

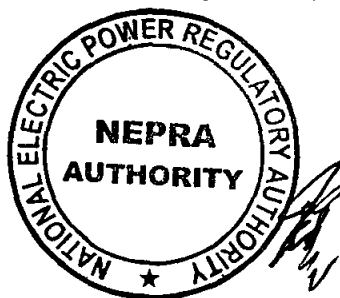


month and twenty three (23) days i.e. from August 26, 2023 to October 17, 2030. In this regard, the Authority has observed Section-26 of the NEPRA Act allows it to amend the terms and conditions of licence. Further, the relevant provisions governing the renewal are Rule-5 of the Generation Rules and Regulation-13 of the Licensing Regulations.

(9). In consideration of the above and in terms of Rule-5 of the Generation Rules, the Authority may renew the term of the Generation Licence for such further term as deemed appropriate in the manner provided for in the Generation Licence keeping in view (a). the remaining maximum expected useful life of the units comprised in the generation facility; (b). the performance of the licensee during the then expiring term; and (c). the interests of the consumers and the electric power industry as a whole.

(10). Further, Regulation-13 of the Licensing Regulations stipulates that the Authority may extend or renew the term of a licence with such further changes as the Authority may deem fit, if in the opinion of the Authority such extension (a). is in the interests of the consumers and the electric power industry as a whole; (b). is reasonably necessary to ensure the continuous, safe and reliable supply of electric power to consumers, keeping in view the financial and technical viability of the licensee; (c). is suitable on environmental grounds; and (d). is justified keeping in view the performance of the licensee during the expiring term.

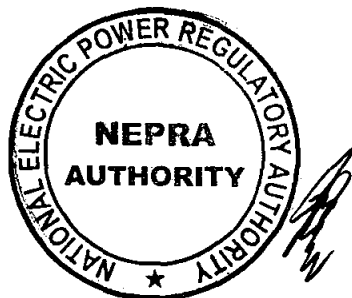
(11). As explained in the preceding paragraphs, the generation facility of UPPL is located at Dera Murad Jamali, district Naseerabad, in the province of Balochistan. The installed capacity of the generation facility is 586.20 MW consisting of 3 x 130.00 MW (approximate) Gas Turbines-GT(s) + 3 x Heat Recovery Steam Generators-HRSG(s) and 1x190.00 MW (approximate) Steam Turbine-ST. The generation facility is working on low BTU gas supplied from the Uch gas field which OGDCL operates. The GSA for the project was executed on August 04, 1994 and had envisaged a term of twenty three (23) years or term



of the PPA whichever is later. The GSA was subsequently modified through different amendments in 1996 and 2002 delinking the term of the GSA from the PPA which envisaged a term of thirty (30) years from the Commercial Operation Date-COD i.e. October 18, 2000 of the project up to October 17, 2030. The Authority granted the Generation Licence to UPPL on August 26, 2003 and fixed the term of the licence to twenty (20) years which will expire on August 25, 2023. UPPL submitted an application for extension in term of its Generation Licence for a period from August 26, 2023 to October 17, 2030 i.e. for seven (7) years one (1) month and twenty three (23) days.

(12). As explained in the preceding paragraphs, the Generation Rules and Licensing Regulations outline the methodology for the grant of extension/renewal in the term of a Generation Licence. The said rules and regulations stipulate that while renewing the term of licence, the Authority may consider different facts including (a). the remaining maximum expected useful life of the units comprised in the generation facility; (b). the performance of the licensee during the then expiring term; (c). the interests of the consumers and the electric power industry as a whole. (d). the renewal/extension is reasonably necessary to ensure the continuous, safe and reliable supply of electric power to consumers, keeping in view the financial and technical viability of the licensee; and (e). the renewal/extension is suitable on environmental grounds.

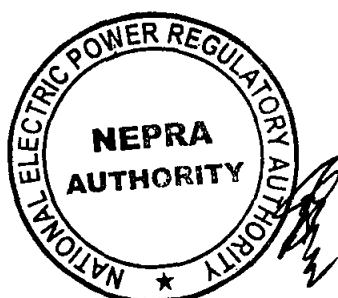
(13). In consideration of the above, the Authority has observed that the generation facility achieved COD on October 18, 2000 and so far has completed an average total of 170,901.24 operational hours which translates into almost 19.50 years of operation meaning thereby that the generation facility has a remaining useful life of almost 10.50 years if the usual thirty (30) years industry standard/control period is taken. In this regard, the Authority has considered a report of General Electric (GE) which is not only the Original Equipment Manufacturer (OEM) of the facility but is also working as service provider under its Long Term Parts and Service Agreement (LTPSA). In the said report, GE has confirmed that it has undertaken routine and periodic inspections of the GT(s)



of UPPL and assures that these are fit to operate safely until 2038 with routine planned maintenance recommended. Further, GE also submitted that based on its experience around the globe, the GT(s) of similar technology may be operated even beyond fifty (50) years.

(14). The generation facility of UPPL is operated on local indigenous low BTU gas of the Uch gas field and due to its lower cost, the generation facility is ranked at the top of the merit order for the past many years. The average utilization of the generation facility is around 87%. In view of the fact that the generation facility is being operated on a dedicated gas field which is of low BTU and can only be utilized for power generation, the operation of the facility for an extended period will be in the interests of the consumers and the electric power industry as a whole. In view of the fact that the indigenous gas can only be used for power generation, it is necessary that the gas is utilized to ensure the continuous, safe and reliable supply of electric power to consumers, keeping in view the financial and technical viability of the Licensee. Further, the utilization of the indigenous gas is also essential and suitable on environmental grounds as there is no alternate use of the low BTU gas. In fact if the gas is not utilized for power generation the aquifer available under the gas reserves may take over and thus may result in losses to the national asset of paramount importance. Furthermore, the approved IGCEP-2022-31, considers the operation of UPPL till 2031 on least cost option basis.

(15). In consideration of the above, the Authority considers that extension in term of Generation Licence of UPPL is (a). in the interests of the consumers and the electric power industry as a whole; (b). is reasonably necessary to ensure the continuous, safe and reliable supply of electric power to consumers, keeping in view the financial and technical viability of the licensee; (c). is suitable on environmental grounds; and (d). is justified keeping in view the performance of the licensee during the expiring term as explained above.



(16). Notwithstanding the above, the Authority has observed that in terms of Section-14B(5) of the NEPRA Act the Federal Govt. has to provide a mechanism for gradual cessation of generation licences which shall not extend beyond a period of five (05) years from the amended NEPRA Act and thereafter any generation company may establish, operate and maintain a generation facility without obtaining a licence under the NEPRA Act. In consideration of the said, the Authority has observed that the existing Generation Licence of UPPL is valid till August 25, 2023. Therefore, the Authority directs the Licensee/UPPL to approach it, if required, for extension/renewal as per the prevailing relevant provisions of the NEPRA Act, relevant rules and regulations. In view of the said, the Authority decides to return the application of UPPL for extension/renewal of the term of the licence.

Authority:

Engr. Maqsood Anwar Khan
(Member)



Engr. Rafique Ahmed Shaikh
(Member)



Engr. Mathar Niaz Rana (nsc)
(Member)



Engr. Tauseef H. Farooqi
(Chairman)

